GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:962
ANSWERED ON:19.07.2002
ASSETS RECONSTRUCTION COMPANIES
BRAHMANAND MANDAL;SHYAMA SINGH

Will the Minister of FINANCE be pleased to state:

(a) whether the Government have taken a decision to set up assets Reconstruction Companies to tackle problems of NPAs;

(b) if so, the details thereof and the number of such companies have been set up as on date;

(c) the total NPAs of banks as on June 30, 2002;

(d) whether banks and financial institutions would be empowered to forefeit properties etc. of defaulting companies; and

(e) if so, the details thereof ?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANT G. GEETE)

(a) & (b):- ICICI has got a pilot Asset Reconstruction Company(ARC) incorporated under the Companies Act, 1956 as a limited company, namely, `Asset Reconstruction Company (India) Limited` with the Registrar of Companies, Maharashtra,Mumbai on 11th day of February 2002.

Reserve Bank of India (RBI)has reported that IFCI has got an ARCincorporated under the name, `Asset Care Enterprise Limited`(ACE). The company was incorporated on June 11, 2002.

(c) :- RBIhas reported that the gross NPAs outstanding of Scheduled Commercial Banks asat the end of March, 2002, were Rs. 68,074 crore (provisional). Figures upto June 30, 2002 are not available so far.

(d) & (e) :- Section 13 of the recently promulgated `The Securitisation andReconstruction of Financial Assets and Enforcement of Security Interest Ordinance, 2002` empowers the secured creditors to enforce, any security interest created in favour of the creditor, in case the borrower makes any default in repayment of secured debt or any instalment thereof and his account in respect of such debt is classified by the secured creditor as non-performing asset. The secured creditor shall be entitled to exercise all or any rights only after giving a notice in writing to the borrower to discharge in full his liabilities to the secured creditor within sixty days from the date of notice and the borrower fails to discharge such liabilities to the secured creditor within the specified period.